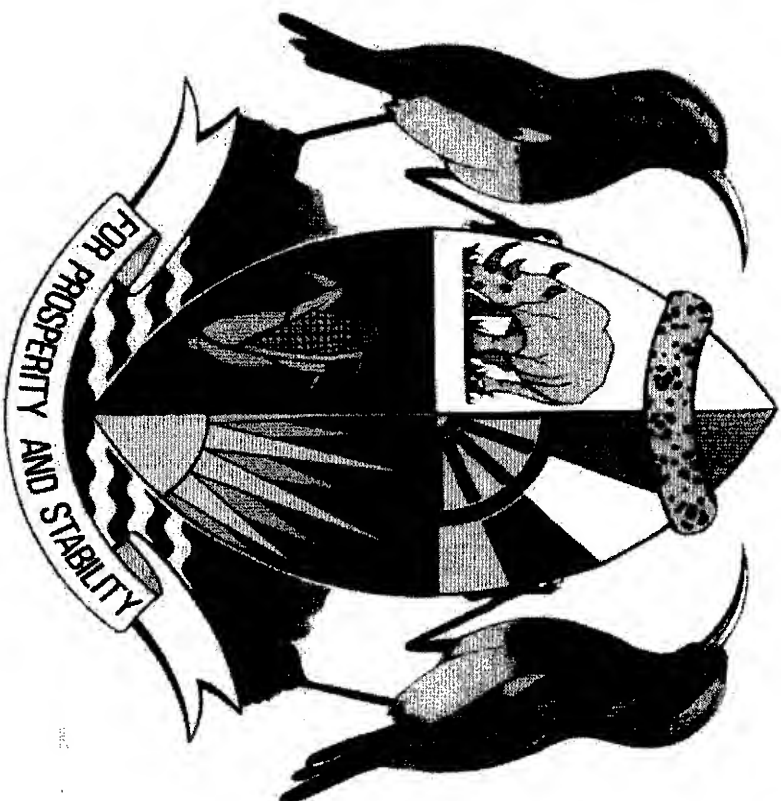


STATEMENTS 2007/08



Waterbergs
District Municipality

on the Go for Growth

WATERBERG DISTRICT MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

I am responsible for the preparation of these annual financial statements which are set out on pages 1 to 33, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 15 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, the Minister of Provincial and Local Government's determination in accordance with this Act and Government Gazette no. 1227 of 2007 dated 18 December 2007.

I have complied with the disclosure requirements in terms of section 122 to 126 of the Municipal Finance Management Act, No 56 of 2003.



N C MOTSEPE
MUNICIPAL MANAGER

27/08/08

DATE

INDEX

The reports and statements set out below comprise the annual financial statements:

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WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2008

| | Note | 2008 R | 2007 R |
|--|------|---------------------------|---------------------------|
| NET ASSETS AND LIABILITIES | | | |
| Reserves | | 119 468 591 | 117 080 321 |
| Government Grant Reserve | | 1 181 026 | 164 730 |
| Donations and Public Contributions Reserve | | 1 993 284 | 1 863 968 |
| Revaluation Reserve | | 431 997 | 431 997 |
| Accumulated surplus | | 115 862 284 | 114 619 626 |
| Current liabilities | | 7 840 455 | 8 364 478 |
| Consumer deposits | 1 | 10 866 | 9 366 |
| Provisions | 2 | 2 663 255 | 1 624 276 |
| Creditors | 4 | 1 412 962 | 638 246 |
| Unspent conditional grants and receipts | 5 | 3 753 372 | 6 092 591 |
| TOTAL NET ASSETS AND LIABILITIES | | <u>127 309 046</u> | <u>125 444 799</u> |
| ASSETS | | | |
| Non-current assets | | 32 486 591 | 26 303 274 |
| Property, plant and equipment | 3 | 32 450 765 | 26 272 809 |
| Long term receivables | 6 | 35 827 | 30 465 |
| Current assets | | 94 822 454 | 99 141 525 |
| Consumer debtors | 7 | 204 370 | 322 956 |
| Other debtors | 8 | 1 809 573 | 814 010 |
| Investment deposits | 9 | 13 000 000 | 20 000 000 |
| Bank balance and cash | 10 | 78 965 049 | 77 206 158 |
| VAT | 11 | 843 462 | 798 401 |
| TOTAL ASSETS | | <u>127 309 046</u> | <u>125 444 799</u> |

WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 R | 2007 R |
|---|------|-------------------|-------------------|
| REVENUE | | | |
| Regional Services Levies - turnover | | 252 557 | 4 020 244 |
| Regional Services Levies - remuneration | | - | 896 927 |
| Interest earned - external investments | | 11 016 163 | 8 099 390 |
| Interest earned - outstanding debtors & deposits | | 59 090 | 165 042 |
| Service charges | 12 | 1 865 650 | 2 004 164 |
| Other income | | 203 786 | 399 708 |
| Government and other grants | 13 | 67 224 529 | 57 093 560 |
| Public contributions and donations | | 506 850 | 902 160 |
| Gain on disposal of Property, Plant and Equipment | | - | 52 982 |
| Reversal on provision for bad debt | | 30 858 | - |
| Total Revenue | | 81 159 483 | 73 634 177 |
| EXPENDITURE | | | |
| Employee related costs | 14 | 24 455 697 | 16 674 562 |
| Remuneration of councillors | | 3 197 239 | 2 819 494 |
| Bad debt | 15 | - | 635 759 |
| General expenses | | 10 523 566 | 7 352 072 |
| Repairs & Maintenance | | 481 386 | 262 478 |
| Fire Fighting | | 3 113 932 | 2 858 077 |
| Project Expenditure | | 34 802 247 | 12 749 237 |
| MIG Expenditure | | 405 586 | 5 962 083 |
| Depreciation | | 1 778 370 | 1 442 515 |
| Loss on disposal of Property, Plant and Equipment | | 13 190 | - |
| Total Expenditure | | 78 771 213 | 50 756 277 |
| SURPLUS FOR THE YEAR | | 2 388 270 | 22 877 900 |

Refer to Appendix E(1) for the comparison with the approved budget

WATERBERG DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2008

| | <u>Government Grant Reserve</u> | <u>Donations and Public Contributions Reserve</u> | <u>Revaluation Reserve</u> | <u>Accumulated Surplus</u> | <u>Total</u> |
|-----------------------------------|---|---|--------------------------------|--------------------------------|---------------------------|
| | R | R | R | R | R |
| 2007 | | | | | |
| Balance at 1 July 2006 | 226 978 | 1 158 321 | 431 997 | 92 385 125 | 94 202 421 |
| Correction of errors | | | | - | - |
| Restated balance | <u>226 978</u> | <u>1 158 321</u> | <u>431 997</u> | <u>92 385 125</u> | <u>94 202 421</u> |
| Net deficit for the year | | | | 22 877 900 | 22 877 900 |
| Donated/contributed PPE | | 902 160 | | (902 160) | - |
| Offsetting of Depreciation | (62 248) | (196 513) | | 258 761 | - |
| Balance at 30 June 2007 | <u>164 730</u> | <u>1 863 968</u> | <u>431 997</u> | <u>114 619 626</u> | <u>117 080 321</u> |
| 2008 | | | | | |
| Balance as at 1 July 2007 | 164 730 | 1 863 968 | 431 997 | 114 619 626 | 117 080 321 |
| Net surplus for the year | | | | 2 388 270 | 2 388 270 |
| Capital grants used to obtain PPE | 1 094 145 | | | (1 094 145) | - |
| Donated/contributed PPE | | 506 850 | | (506 850) | - |
| Disposal of assets | (2 004) | (658) | | 2 662 | - |
| Offsetting of Depreciation | (75 845) | (376 876) | | 452 721 | - |
| Balance at 30 June 2008 | <u>1 181 026</u> | <u>1 993 284</u> | <u>431 997</u> | <u>115 862 284</u> | <u>119 468 591</u> |

WATERBERG DISTRICT MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

| | Note | 2008 R | 2007 R |
|---|------|---------------------|---------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 67 107 540 | 60 495 556 |
| Cash paid to suppliers and employees | | <u>(68 449 023)</u> | <u>(58 432 871)</u> |
| Cash generated from operations | 16 | (1 341 483) | 2 062 685 |
| Interest received | | 11 075 253 | 8 264 433 |
| NET CASH FROM OPERATING ACTIVITIES | | 9 733 770 | 10 327 118 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (7 969 517) | (3 541 181) |
| Proceeds on disposal of property, plant and equipment | | - | 79 501 |
| (Increase)/Decrease in Long Term Receivables | | (5 362) | 163 165 |
| NET CASH FROM INVESTING ACTIVITIES | | (7 974 879) | (3 298 516) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 1 758 891 | 7 028 602 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | (77 206 158) | (70 177 556) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 17 | 78 965 049 | 77 206 158 |

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- *General Notice* 991 of 2005, issued in *Government Gazette* no. 28095 of 15 December 2005; and
- *General Notice* 992 of 2005, issued in *Government Gazette* no. 28095 of 15 December 2005.

The standards comprise of the following:

| | |
|----------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 4 | The effect of changes in Foreign Exchange Rates |
| GAMAP 4 | The Effects of Changes on Foreign Exchange Rates |
| GAMAP 6 | Consolidated Financial Statements and Subsidiaries |
| GAMAP 7 | Investments in Associates |
| GAMAP 8 | Financial Reporting of Interests in Joint Ventures |
| GAMAP 9 | Revenue |
| GAMAP 12 | Inventories |
| GAMAP 17 | Property, Plant and Equipment |
| GAMAP 19 | Provisions, Contingent Liabilities and Contingent Assets |

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraph 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board. Exemptions were given from complying with certain standards in terms of clause 2(2) of *Government Gazette* no. 30013 of 29 June 2007.

The accounting policies are consistent with those of the previous financial year. A summary of the significant accounting policies are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

1.4 RESERVES

1.4.1 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset from this reserve to the accumulated surplus/(deficit).

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.2 Donation and Public Contributions Reserve

When items of property, plant and equipment are financed from public contributions and donations, a transfer is made from the accumulated surplus/(deficit) to the Donation and Public Contributions Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment, financed from donations and public contributions is disposed, the balance in the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus/(deficit).

1.4.3 Revaluation Reserve

The surplus arising from the revaluation of the property, plant and equipment is credited to the Revaluation Reserve.

WATERBERG DISTRICT MUNICIPALITY **NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED** **30 JUNE 2008**

1.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation, except land, which is revalued as indicated below. Land is not depreciated as it is deemed to have an indefinite life.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset is met.

The fair value of land is stated at the market value, determined by appraisal. An appraisal of the value is undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. Revaluations shall be made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

| | <u>Years</u> |
|------------------------|--------------|
| Buildings | 30 |
| Motor Vehicles | 5 |
| Office Equipment | 5 |
| Furniture and Fittings | 7 |
| Machinery | 5 |
| Security systems | 7 |
| Specialised vehicles | 20 |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

The municipality did not review the useful life or the depreciation method used on the assets recognised in the annual financial statements for the 2007/08 financial year due to the exemption granted in Gazette 30013. The municipality is also exempted from applying IAS36: Impairment of Assets for the financial year ending 30 June 2008 in terms of clause 2(2) of Government Gazette no. 30013 of 29 June 2007. Donated assets' useful lives were reviewed simultaneously with the market valuation for inclusion in the Fixed Asset Register.

1.6. INVESTMENTS

Financial instruments, which include fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

If the recoverable amount is greater than the carrying amount of the investment, it is written back to the recoverable amount and the reversal of impairment is credited to the Statement of Financial Performance, limited to the original amount of the investment plus interest.

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1.6. INVESTMENTS (continued)

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

1.7 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables on the abattoir and RSC levy debtors, based on a review on outstanding amounts above 90 days at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.8 TRADE CREDITORS

Trade creditors are stated at their nominal value.

1.9 REVENUE RECOGNITION

Revenue from the sale of goods and or services may be recognised at its face value (i.e. cost), and in addition, any payables from the purchase of goods and services should also be recognised at face value (i.e. cost) in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007.

The municipality is also exempted from applying IAS20: Accounting for Government Grants and Disclosure of Government Assistance for the financial year ending 30 June 2008 in terms of clause 2(2) of Government Gazette no. 30013 of 29 June 2007 as adequate guidance can be found in GAMAP 9, GAMAP 17 and GAMAP 12.

1.9.1 Revenue from Exchange Transactions

Interest is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1.9 REVENUE RECOGNITION (continued)

1.9.2 Revenue from non-exchange transactions

Revenue from RSC Levies, both those based on turnover as well as those based on remuneration, is recognised on the payment due basis. Where declarations have not been submitted in the reporting period when payment was due, estimated levies based on average data is determined.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are officially transferred and brought into use. Contributed property, plant and equipment are recognized when such items of property, plant and equipment are officially transferred and brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

1.10 CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

Unutilised conditional grants are reflected in the Statement of Financial Position as a current liability and are always cash backed.

1.11 PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

1.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents compromise cash on hand, deposits held on call with banks and investments up to 90 days in financial instruments, net of bank overdrafts.

6 Month investments are disclosed separately as Investment Deposits.

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1.13 LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

“Smoothing” of operating lease expenses/revenues in the statement of financial performance is not required for the 2007/08 financial year in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007.

1.14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.15 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

WATERBERG DISTRICT MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2008

1.17 COMPARATIVE INFORMATION

1.17.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.17.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.18 RETIREMENT BENEFITS

The Municipality provides retirement benefits for its employees and councillors. The Municipality has accounted for the defined contribution plan for the 2007/08 financial year in terms of IAS19 Employee Benefits. Accordingly, the Municipality recognises the contributions to the scheme as an expense when the employees and councillors have rendered the employment service or served office entitling them to the contributions. The Municipality has no members of defined benefit plans. Municipalities are exempted from IAS19 from defined benefit accounting as it relates to defined benefit plans.

1.19 FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise consumer and other debtors, cash and cash equivalents and consumer and other creditors.

Non-derivative financial instruments are recognized at face value (i.e. cost), in terms of the exemptions of Government Gazette no. 30013 of 29 June 2007, plus any attributable transaction costs.

A financial instrument is recognized if the Municipality becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Municipality's contractual rights to the cash flows from the financial assets expire or if the Municipality transfers the financial asset to another party without retaining control or substantially all risk and rewards of the asset. Financial liabilities are derecognized if the Municipality's obligations specified in the contract expire or are discharged or cancelled.

Accounting for cash and cash equivalents is discussed in note 1.12.

Accounting for interest is discussed in note 1.9.

In terms of Gazette 30013, the Municipality is exempted from initially measuring financial instruments at fair value and all the financial instrument disclosure in terms of IFRS 7 *Financial Instruments: Disclosures*.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|------------------|------------------|
| | R | R |
| 1 | | |
| CONSUMER DEPOSITS | | |
| Abattoir | <u>10 866</u> | <u>9 366</u> |
| Guarantees held in lieu of abattoir deposits | <u>12 000</u> | <u>17 000</u> |
| 2 | | |
| PROVISIONS | | |
| Leave | 2 365 873 | 1 345 175 |
| Long service awards | 3 000 | 10 500 |
| Performance bonus | 294 382 | 268 601 |
| | <u>2 663 255</u> | <u>1 624 276</u> |
| Annual leave is paid out as per employees' request or at the end of employment. | | |
| The movement is reconciled as follows: | | |
| Balance at beginning of year | 1 345 175 | 1 218 183 |
| Contributions/(reversals) to provision | 2 149 642 | 781 424 |
| Expenditure incurred | (1 128 944) | (654 432) |
| Balance at year end | <u>2 365 873</u> | <u>1 345 175</u> |
| Long service awards are paid out once a year for employees with 10, 15 or 20 years service. | | |
| The movement is reconciled as follows: | | |
| Balance at beginning of year | 10 500 | - |
| Contributions/(reversals) to provision | 3 000 | 10 500 |
| Expenditure incurred | (10 500) | - |
| Balance at year end | <u>3 000</u> | <u>10 500</u> |
| Performance bonuses are paid one year in arrears as the assessment of eligible employees has not taken place at the reporting date and no present obligations exist. | | |
| The movement is reconciled as follows: | | |
| Balance at beginning of year | 268 601 | 493 365 |
| Contributions/(reversals) to provision | 25 781 | (224 764) |
| Expenditure incurred | - | - |
| Balance at year end | <u>294 382</u> | <u>268 601</u> |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

3

PROPERTY, PLANT & EQUIPMENT

| | Land and Buildings | Other | Total |
|---|-------------------------------|-------------------|-------------------|
| Reconciliation of Carrying Value | R | R | R |
| Carrying values at 1 July 2007 | 19 988 129 | 6 284 680 | 26 272 809 |
| Cost | 22 050 427 | 10 206 225 | 32 256 653 |
| Accumulated Depreciation | (2 062 298) | (3 921 546) | (5 983 844) |
| Acquisitions | 15 450 | 6 043 221 | 6 058 671 |
| Capital under Construction | 1 910 846 | - | 1 910 846 |
| Depreciation | (334 909) | (1 443 461) | (1 778 370) |
| Carrying value of disposals | - | (13 190) | (13 190) |
| Cost | - | (99 382) | (99 382) |
| Accumulated depreciation | - | 86 192 | 86 192 |
| Transfers between votes | - | - | - |
| Cost | - | - | - |
| Accumulated depreciation | - | - | - |
| Carrying values at 30 June 2008 | 21 579 515 | 10 871 250 | 32 450 765 |
| Cost | 23 976 722 | 16 150 065 | 40 126 787 |
| Accumulated Depreciation | (2 397 207) | (5 278 815) | (7 676 022) |
| Reconciliation of Carrying Value | Land and Buildings | Other | Total |
| Carrying values at 1 July 2006 | 18 464 854 | 5 735 807 | 24 200 661 |
| Cost | 20 192 588 | 8 649 355 | 28 841 943 |
| Accumulated Depreciation | (1 727 734) | (2 913 548) | (4 641 282) |
| Acquisitions | - | 1 683 342 | 1 683 342 |
| Capital under Construction | 1 857 839 | - | 1 857 839 |
| Depreciation | (334 564) | (1 107 951) | (1 442 515) |
| Carrying value of disposals | - | (26 519) | (26 519) |
| Cost | - | (126 472) | (126 472) |
| Accumulated depreciation | - | 99 953 | 99 953 |
| Transfers between votes | - | - | - |
| Cost | - | - | - |
| Accumulated depreciation | - | - | - |
| Carrying values at 30 June 2007 | 19 988 129 | 6 284 680 | 26 272 809 |
| Cost | 22 050 427 | 10 206 225 | 32 256 653 |
| Accumulated Depreciation | (2 062 298) | (3 921 546) | (5 983 844) |

Refer to Appendix B for more detail on property, plant and equipment, including those in the process of being constructed.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|---|------------------|------------------|
| 4 CREDITORS | | |
| Trade creditors | 894 844 | 480 848 |
| Other creditors | 51 223 | 51 223 |
| Retentions | 466 895 | 106 174 |
| Payments received in advance | - | - |
| | <u>1 412 962</u> | <u>638 246</u> |
| 5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS | | |
| Conditional Grants from other spheres of Government | | |
| Municipal Infrastructure Grant | 1 614 965 | 2 020 550 |
| Transitional Grant | - | - |
| District Transport Plan | 351 989 | 357 426 |
| Municipal Systems Improvement Grant | 114 528 | 344 828 |
| Finance Management Grant | 595 515 | 573 954 |
| LED learnership | - | - |
| Drought relief | 94 084 | 869 180 |
| Public Works - Mokamole agriculture farm | - | 23 450 |
| Umsobomvu Youth Grant | - | 80 320 |
| Community Based Public Works Program | 547 884 | 547 883 |
| Fire Fighting Grant | 155 855 | 1 250 000 |
| DBSA Grant | - | - |
| IT Municipal Systems Plan Grant | - | - |
| LG SETA Grant | 208 552 | - |
| Health Grant | - | - |
| | <u>3 683 372</u> | <u>6 067 591</u> |
| Total Unspent Conditional Grants and Receipts from other spheres of Government | | |
| Other conditional grants | | |
| Mayor's Bursary Grant | 25 000 | 25 000 |
| Disaster Grant | 45 000 | - |
| | <u>70 000</u> | <u>25 000</u> |
| Total Unspent Other Conditional Grants and Receipts | | |
| | <u>3 753 372</u> | <u>6 092 591</u> |
| Total Unspent Conditional Grants and Receipts | | |

See note 13 for reconciliation of grants.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|-------------------------|-----------------------|
| 6 LONG TERM RECEIVABLES | | |
| Deposit water and electricity | <u>35 827</u> | <u>30 465</u> |
| Deposit water and electricity | | |
| These are deposits paid for water and electricity services. | | |
| 7 CONSUMER DEBTORS | | |
| RSC levies | 580 560 | 717 440 |
| Abattoir | 261 059 | 273 623 |
| | 841 619 | 991 063 |
| Less: Provision for bad debts (Refer to Appendix E1) | <u>(637 249)</u> | <u>(668 107)</u> |
| Total | <u>204 370</u> | <u>322 956</u> |
| Abattoir: Ageing | | |
| Current (0 - 30 days) | 100 791 | 165 465 |
| 31 - 60 days | 96 189 | 38 447 |
| 61 - 90 days | 7 390 | 35 215 |
| + 91 days | 56 689 | 34 496 |
| Total | <u>261 059</u> | <u>273 623</u> |
| RSC levies: Ageing | | |
| Current (0 - 30 days) | 4 632 | 4 851 |
| 31 - 60 days | 4 176 | 5 010 |
| 61 - 90 days | 3 973 | 5 010 |
| + 91 days | 567 779 | 702 569 |
| Total | <u>580 560</u> | <u>717 440</u> |
| Reconciliation of the bad debt provision | | |
| Balance at beginning of the year | 668 107 | 32 347 |
| (Reversal)/Contributions to provision | (30 858) | 635 760 |
| Bad debts written off against provision | - | - |
| Balance at end of year | <u>637 249</u> | <u>668 107</u> |
| 8 OTHER DEBTORS | | |
| Investments | 259 541 | 259 541 |
| Expenditure paid in advance | 39 069 | 4 200 |
| Sundry debtors | <u>1 510 963</u> | <u>550 269</u> |
| | <u>1 809 573</u> | <u>814 010</u> |
| An investment amounting to R1 041 296 capital is held with New Republic Bank, which is presently under receivership. An investment amounting to R325 904 capital is held with Regal Treasury Bank which is presently under liquidation. The investments were written down to fair value: | | |
| New Republic Bank Limited | 259 541 | 259 541 |
| Regal Treasury Private Bank Limited | - | - |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|--------------------------|--------------------------|
| 9 INVESTMENT DEPOSITS | | |
| 6 Month fixed deposits | <u>13 000 000</u> | <u>20 000 000</u> |
| 10 BANK BALANCES AND CASH | | |
| The municipality has the following bank accounts: | | |
| <u>Current Account (Primary Bank Account)</u> | | |
| First National Bank - Modimolle branch | | |
| Account number 53170034748 | | |
| Cash book balance at beginning of year | <u>5 204 458</u> | <u>5 175 856</u> |
| Cash book balance at end of year | <u>1 963 349</u> | <u>5 204 458</u> |
| Bank statement balance at beginning of year | <u>7 271 132</u> | <u>8 322 717</u> |
| Bank statement balance at end of year | <u>6 275 415</u> | <u>7 271 132</u> |
| <u>Other accounts</u> | | |
| Investments | | |
| Call | <u>18 000 000</u> | <u>20 000 000</u> |
| 14 Days fixed deposits | <u>5 000 000</u> | <u>-</u> |
| 32 Days fixed deposits | <u>21 000 000</u> | <u>24 000 000</u> |
| 60 Days fixed deposits | <u>33 000 000</u> | <u>28 000 000</u> |
| 90 Days fixed deposits | <u>77 000 000</u> | <u>72 000 000</u> |
| Petty cash | <u>1 700</u> | <u>1 700</u> |
| Total Balance | <u>78 965 049</u> | <u>77 206 158</u> |
| 11 VAT | | |
| VAT refundable | <u>843 462</u> | <u>798 401</u> |
| VAT is accounted for on the payment basis. Only once payment is received from debtors, VAT is paid over to SARS. | | |
| 12 SERVICE CHARGES | | |
| Abattoir services | <u>1 865 650</u> | <u>2 004 164</u> |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|-------------------|-------------------|
| 13 GOVERNMENT AND OTHER GRANTS | | |
| Equitable share | 56 783 635 | 47 544 602 |
| Municipal Infrastructure Grant | 405 585 | 5 962 083 |
| Transitional Grant | - | 63 303 |
| District Transport Plan | 5 437 | 557 315 |
| Municipal Systems Improvement Grant | 1 230 300 | 1 327 867 |
| Finance Management Grant | 478 439 | 290 985 |
| LED learnership | - | 25 755 |
| Drought Relief Grant | 775 096 | 62 028 |
| Public Works - Mokamole agricultural farm | 23 450 | 1 025 |
| Umsobomvu Youth Grant | 800 320 | 819 680 |
| Community Based Public Works Programme | - | - |
| Fire Fighting Grant | 1 094 145 | - |
| DBSA Grant | 188 176 | 438 917 |
| IT Municipal Systems Plan Grant | 2 129 000 | - |
| LG SETA Grant | 148 487 | - |
| Municipal Health Grant | 3 162 461 | - |
| Mayor's Bursary Grant | - | - |
| Disaster Grant | - | - |
| | 67 224 529 | 57 093 560 |
| 13.1 Equitable share | | |
| The equitable share is an unconditional grant and is utilised to fund fire fighting services, projects and operating expenditure. | | |
| 13.2 Municipal Infrastructure Grant | | |
| Balance unspent at beginning of year | 2 020 550 | 7 982 633 |
| Current year receipts | - | - |
| Conditions met - transferred to income | (405 585) | (5 962 083) |
| Conditions still to be met - transferred to liabilities | 1 614 965 | 2 020 550 |
| The grant is used to construct infrastructure assets in the local municipalities. The conditions of the grant were met. There were no delay or withholding of the grant. | | |
| 13.3 Transitional grant | | |
| Balance unspent at beginning of year | - | 63 303 |
| Current year receipts | - | - |
| Conditions met - transferred to income | - | (63 303) |
| Conditions still to be met - transferred to liabilities | - | - |

The grant was utilised to finance changes on the financial system.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|--------------------|--------------------|
| 13 GOVERNMENT GRANTS (continued) | | |
| 13.4 District Transport Plan | | |
| Balance unspent at beginning of year | 357 426 | 914 741 |
| Current year receipts | (5 437) | (557 315) |
| Conditions met - transferred to income | <u>351 989</u> | <u>357 426</u> |
| Conditions still to be met - transferred to liabilities | | |
| The grant was utilised to develop the current public transport record system and to review the transport plan and the balance will be utilised to implement the integrated transport plan. | | |
| 13.5 Municipal Systems Improvement Grant | | |
| Balance unspent at beginning of year | 344 828 | 672 695 |
| Current year receipts | 1 000 000 | 1 000 000 |
| Conditions met - transferred to income | <u>(1 230 300)</u> | <u>(1 327 867)</u> |
| Conditions still to be met - transferred to liabilities | <u>114 528</u> | <u>344 828</u> |
| The grant was utilised to fund the PIMSS unit. The grant is also used for the implementation of new legislation and the IDP review process. The conditions of the grant were met. No funds have been withheld. | | |
| 13.6 Finance Management Grant | | |
| Balance unspent at beginning of year | 573 954 | 364 939 |
| Current year receipts | 500 000 | 500 000 |
| Conditions met - transferred to income | <u>(478 439)</u> | <u>(290 985)</u> |
| Conditions still to be met - transferred to liabilities | <u>595 515</u> | <u>573 954</u> |
| The grant is utilised for the appointment of the financial interns, financial training and assist with the implementation of the MFMA and compliance with GAMAP/GRAP. The conditions of the grant were met. No funds have been withheld. | | |
| 13.7 LED Learnership | | |
| Balance unspent at beginning of year | - | 25 755 |
| Current year receipts | - | - |
| Conditions met - transferred to income | <u>-</u> | <u>(25 755)</u> |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>-</u> |
| The grant was utilised for the training of LED learners. The conditions of the grant were met. | | |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|----------------|------------------|
| 13 GOVERNMENT GRANTS (continued) | | |
| 13.8 Drought Relief | | |
| Balance unspent at beginning of year | 869 180 | 931 208 |
| Current year receipts | - | - |
| Conditions met - transferred to income | (775 096) | (62 028) |
| Conditions still to be met - transferred to liabilities | <u>94 084</u> | <u>869 180</u> |
| The grant was utilised for emergency drought relief in the District. The projects were be identified by the local municipalities. | | |
| 13.9 Public Works - Mokamole agricultural farm | | |
| Balance unspent at beginning of year | 23 450 | 24 475 |
| Current year receipts | - | - |
| Conditions met - transferred to income | (23 450) | (1 025) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>23 450</u> |
| These funds were utilised for LED projects. Balance was transferred to Mogalakwena Local Municipality who is now responsible for this project. | | |
| 13.10 Umsobomvu Youth Grant | | |
| Balance unspent at beginning of year | 80 320 | - |
| Current year receipts | 720 000 | 900 000 |
| Conditions met - transferred to income | (800 320) | (819 680) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>80 320</u> |
| The grant is utilised to fund youth advisors at the local municipalities. | | |
| 13.11 Community Based Public Works Program | | |
| Balance unspent at beginning of year | 547 884 | - |
| Current year receipts | - | 547 884 |
| Conditions met - transferred to income | - | - |
| Conditions still to be met - transferred to liabilities | <u>547 884</u> | <u>547 884</u> |
| The grant will be utilised to fund infrastructure projects. The conditions were met. No funds have been withheld. | | |
| 13.12 Fire Fighting Grant | | |
| Balance unspent at beginning of year | 1 250 000 | - |
| Current year receipts | - | 1 250 000 |
| Conditions met - transferred to income | (1 094 145) | - |
| Conditions still to be met - transferred to liabilities | <u>155 855</u> | <u>1 250 000</u> |
| The grant was utilised to fund the acquisition of fire fighting equipment. | | |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|---|----------------|---------------|
| 13 GOVERNMENT GRANTS (continued) | | |
| 13.13 DBSA Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 188 176 | 438 917 |
| Conditions met - transferred to income | (188 176) | (438 917) |
| Conditions still to be met - transferred to liabilities | - | - |
| | <u>-</u> | <u>-</u> |
| The grant was utilised to fund the training of finance officials in the Finance Departments of the District and Local Municipalities. | | |
| 13.14 IT Municipal Systems Plan Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 2 129 000 | - |
| Conditions met - transferred to income | (2 129 000) | - |
| Conditions still to be met - transferred to liabilities | - | - |
| | <u>-</u> | <u>-</u> |
| The grant was utilised to fund the IT Master Systems Plan of the municipality. | | |
| 13.15 LG SETA Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 357 039 | - |
| Conditions met - transferred to income | (148 487) | - |
| Conditions still to be met - transferred to liabilities | 208 552 | - |
| | <u>208 552</u> | <u>-</u> |
| The grant was utilised to fund the IT Learnership for community members. The remainder will be utilised for training of officials in the District Municipality. | | |
| 13.16 Municipal Health Grant | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 3 162 461 | - |
| Conditions met - transferred to income | (3 162 461) | - |
| Conditions still to be met - transferred to liabilities | - | - |
| | <u>-</u> | <u>-</u> |
| The grant was utilised to fund the Environmental Health function that was devolved to the District Municipality during the year under review. | | |
| 13.17 Mayor's Bursary Grant | | |
| Balance unspent at beginning of year | 25 000 | - |
| Current year receipts | - | 25 000 |
| Conditions met - transferred to income | - | - |
| Conditions still to be met - transferred to liabilities | 25 000 | 25 000 |
| | <u>25 000</u> | <u>25 000</u> |
| The grant will be utilised to fund study bursaries. | | |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

13 GOVERNMENT GRANTS (continued)

13.18 Disaster Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to income
Conditions still to be met - transferred to liabilities

| 2008 | 2007 |
|---------------|----------|
| R | R |
| - | - |
| 45 000 | - |
| - | - |
| <u>45 000</u> | <u>-</u> |

The grant will be utilised to fund disasters in the District.

14 EMPLOYEE RELATED COSTS

Employee related costs - Salaries and wages
Employee related costs - Contributions for UIF, pension and medical aid
Travel and other allowances
Housing benefits and allowances
Overtime allowances
(Refer to Appendix E1)

| | |
|-------------------|-------------------|
| 15 805 464 | 11 869 255 |
| 4 522 573 | 3 255 941 |
| 3 821 102 | 1 425 455 |
| 213 331 | 95 778 |
| 93 227 | 28 133 |
| <u>24 455 697</u> | <u>16 674 562</u> |

Remuneration of the Municipal Manager

Annual Remuneration
Travel allowance
Council contributions
Total

| | |
|----------------|----------------|
| 335 194 | 460 417 |
| 91 000 | 116 866 |
| 873 | 119 013 |
| <u>427 067</u> | <u>696 296</u> |

The previous Municipal Manager resigned as from 30 June 2007.
The new Municipal Manager was appointed as from 1 December 2007.

Remuneration of the Chief Financial Officer

Annual Remuneration
Travel allowance
Council contributions
Total

| | |
|----------------|----------------|
| 481 534 | 302 998 |
| 120 669 | 70 700 |
| 1 473 | 64 000 |
| <u>603 676</u> | <u>437 698</u> |

The Chief Financial Officer was appointed as from 11 June 2007.

Remuneration of Individual Managers:

Infrastructure Development

Annual Remuneration
Travel allowance
Council contributions
Total

| | |
|----------------|----------------|
| 366 040 | 295 598 |
| 145 160 | 78 400 |
| 76 798 | 933 |
| <u>587 998</u> | <u>374 931</u> |

The previous Infrastructure Development Manager resigned as from 28 February 2007. The new Infrastructure Development manager was appointed as from 9 July 2007.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 R | 2007 R |
|--|----------------|----------------|
| 14 EMPLOYEE RELATED COSTS (continued) | | |
| Remuneration of Individual Managers (continued): | | |
| Planning & Economic Development | | |
| Annual Remuneration | 290 134 | 371 220 |
| Travel allowance | 68 438 | 69 957 |
| Council contributions | 75 205 | 99 423 |
| Total | 433 777 | 540 600 |
| The previous Planning & Economic Development Manager resigned as from 5 December 2007. The new Planning & Economic Development manager was appointed as from 1 March 2008. | | |
| Corporate Support & Shared Services | | |
| Annual Remuneration | 312 952 | 381 000 |
| Travel allowance | 74 600 | 122 958 |
| Council contributions | 61 536 | 85 219 |
| Total | 449 088 | 589 177 |
| The previous Corporate Support & Shared Service Manager resigned as from 31 August 2007. The new Corporate Support & Shared Services Manager was appointed as from 1 January 2008. | | |
| Social Development & Community Services | | |
| Annual Remuneration | 345 560 | 322 140 |
| Travel allowance | 95 274 | 97 565 |
| Council contributions | 95 841 | 89 095 |
| Total | 536 675 | 508 800 |
| The manager Social Services was appointed as from 1 August 2005. | | |
| Executive Mayor's Office | | |
| Annual Remuneration | 315 232 | 177 567 |
| Travel allowance | 89 531 | 50 962 |
| Council contributions | 92 037 | 51 471 |
| Total | 496 800 | 280 000 |
| The manager Executive Mayor's Office was appointed as from 1 December 2006. | | |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

15 REMUNERATION OF COUNCILLORS

| | 2008 R | 2007 R |
|--|------------------|------------------|
| Executive Mayor | 435 199 | 406 024 |
| Speaker | 362 058 | 212 542 |
| Full time Mayoral Committee member | 251 637 | - |
| Mayoral Committee members | 670 624 | 515 861 |
| Councillors | 1 146 221 | 1 397 810 |
| Council's contributions | 331 500 | 287 257 |
| Total Councillors' Remuneration | 3 197 239 | 2 819 494 |

In kind benefits

The Executive Mayor, Speaker and a Mayoral Committee member are full time councillors. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor has use of a Council owned vehicle and has a driver.

16 CASH GENERATED FROM OPERATIONS

| | | |
|---|--------------------|-------------------|
| Net surplus for the year | 2 388 270 | 22 877 900 |
| Adjustment for: - | | |
| Depreciation | 1 778 370 | 1 442 515 |
| Investment Income | (11 075 253) | (8 264 432) |
| Loss on disposal of property, plant and equipment | 13 190 | - |
| Gain on disposal of property, plant and equipment | - | (52 982) |
| Contributions to provisions - current | 1 038 979 | (87 272) |
| Operating surplus/(deficit) before working capital changes | (5 856 445) | 15 915 728 |
| Decrease in Consumer Debtors | 118 586 | 1 559 313 |
| (Increase)/Decrease in Other Debtors | (995 562) | 35 723 |
| Increase in VAT asset | (45 061) | (905 973) |
| Decrease in Unspent Conditional Grants and Receipts | (2 339 219) | (4 887 158) |
| Increase/(Decrease) in Creditors | 774 717 | (2 651 948) |
| Increase/(Decrease) in Consumer Deposits | 1 500 | (3 000) |
| Decrease/(Increase) in investment deposits | 7 000 000 | (7 000 000) |
| Cash generated from operations | (1 341 483) | 2 062 685 |

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the cash flow statement comprise the following statements of amounts indicating financial position:

| | | |
|--------------------------|-------------------|-------------------|
| Bank balance | 1 963 349 | 5 204 458 |
| Call investment deposits | 77 000 000 | 72 000 000 |
| Petty cash | 1 700 | 1 700 |
| | 78 965 049 | 77 206 158 |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

18 FINANCIAL INSTRUMENTS

The main risks of the Municipality are interest rate risk, liquidity risk, credit risk and the fair value of financial instruments.

Interest rate risk

The Municipality is exposed to interest rate risk on its investments. The risk is managed by only investing with counterparties of a high credit standing.

Currency risk

The Municipality does not have currency risk as in terms of section 163 of the Municipal Finance Management Act, No.56 of 2003, no municipality may incur a liability or risk payable in a foreign currency.

Liquidity risk

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality's strong credit profile and diversified funding sources ensure that sufficient liquid funds are maintained to meet its daily cash requirements. The Municipality's policy on counterpart credit exposures ensures that only counterparties of a high credit standing are used for the investments of any excess cash. The municipality is also investigating a donor funding strategy to further diversify its funding sources.

Credit risk

Credit risk is the risk that would be incurred as a result of non-performance by counterparties of their contractual obligations towards the Municipality.

To manage the risk the Municipality has a credit control policy. As part of these processes the financial viability of all counterparties is regularly monitored and assessed.

Counterparties:

The Municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. The Municipality has no significant concentration of credit risk with any single counterparty or a group of counterparties.

Fair value of financial instruments

At year end the carrying amounts of cash and short-term deposits, trade and other receivables and trade and other payables approximated their fair values due to the short-term maturities of these assets and liabilities.

| | 2008 | 2007 |
|---|------|------|
| | R | R |
| 19 POST EMPLOYMENT BENEFITS: DEFINED CONTRIBUTION PLANS | | |

The municipality has no members of defined benefit plans. All contributions due in the 2007/08 financial year have been paid and therefore no accrued or prepaid expense exists.

| | | |
|------------------------------------|-------------|-------------|
| Contributions made to medical aid | 999 495 | 705 670 |
| Contributions made to pension fund | 3 074 820 | 2 265 999 |
| Amount Paid - Current year | (4 074 315) | (2 971 669) |
| | - | - |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | 2008 | 2007 |
|--|------|------|
| | R | R |

20 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

Reconciliation of fruitless and wasteful expenditure

| | | |
|---|---|-----------|
| Opening Balance | - | 66 315 |
| Fruitless and wasteful expenditure current year | - | - |
| Condoned or written off by Council | - | - |
| To be recovered - Contingent Asset | - | (66 315) |
| Fruitless and wasteful expenditure awaiting condonement | - | - |

Prior year

This expenditure arose from late payment to a contractor on an MIG project. The disciplinary case against the employee responsible was finalised in December 2006. The fruitless and wasteful expenditure is to be recovered from the dismissed employee.

Reconciliation of irregular expenditure

| | | |
|--|---|------------|
| Opening Balance | - | 200 498 |
| Irregular expenditure current year | - | - |
| Condoned or written off by Council | - | (200 498) |
| To be recovered - Contingent Asset | - | - |
| Irregular expenditure awaiting condonement | - | - |

Prior year

Expenses were incurred on the discretionary fund vote without a policy for this expenditure. The expenditure incurred on this vote was condoned by Council and a policy on discretionary expenses was approved by Council.

Reconciliation of unauthorised expenditure

| | | |
|---|------------|---------|
| Opening Balance | 175 167 | - |
| Unauthorised expenditure current year | - | 175 167 |
| Condoned or approved by Council | (175 167) | - |
| To be recovered - Contingent Asset | - | - |
| Unauthorised expenditure awaiting authorisation | - | 175 167 |

Current year

Damaged meat claims was paid out to customers due to malfunctioning of equipment. The abattoir is currently being upgraded to address this issue. Legal fees were overspent due to a disciplinary hearing. Municipal accounts were overspent due to difficulty in estimation of water and electricity usage. Council condoned this expenditure.

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| 2008 | 2007 |
|------|------|
| R | R |

21 CHANGE IN ACCOUNTING ESTIMATE

RSC levies

Change to the Statement of Financial Performance

Total net effect on Surplus for the year

| | |
|---------------|----------------|
| 91 506 | 715 658 |
| <u>91 506</u> | <u>715 658</u> |

The change in accounting estimate relates to unpaid RSC levies that was estimated as at 30 June 2006. The actual receipts on that debtors during the current year was less than what was estimated.

The amount of the effect in future periods is not disclosed because estimating it is impracticable.

22 ADDITIONAL DISCLOSURES IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT

22.1 Contributions to organised local government

Opening Balance
Council subscriptions
Amount Paid - current year

| | |
|-----------------|-----------------|
| 92 077 | 83 765 |
| <u>(92 077)</u> | <u>(83 765)</u> |
| - | - |

22.2 Audit fees

Opening balance
Current year audit fees - statutory
- forensic
Amount paid - current year

| | |
|--------------------|------------------|
| 665 247 | 689 657 |
| 794 548 | 18 073 |
| <u>(1 459 795)</u> | <u>(707 730)</u> |
| - | - |

22.3 VAT

VAT input receivables and VAT output payables are shown in note 11. All VAT returns have been submitted by the due date throughout the year.

22.4 PAYE

Opening Balance
Current year payroll deductions
Amount Paid - Current year

| | |
|--------------------|--------------------|
| 3 891 293 | 2 938 627 |
| <u>(3 891 293)</u> | <u>(2 938 627)</u> |
| - | - |

WATERBERG DISTRICT MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

| | |
|------|------|
| 2008 | 2007 |
| R | R |

23 REMUNERATION OF AUDIT COMMITTEE MEMBERS

Remuneration

| | |
|---------------|---------------|
| <u>29 716</u> | <u>75 405</u> |
|---------------|---------------|

3 Members serve on the Audit Committee. The members are paid an allowance per day and are reimbursed for travel expenses.

24 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for
- Land and buildings

| | |
|----------------|------------------|
| <u>912 835</u> | <u>2 193 987</u> |
|----------------|------------------|

The expenditure will be financed from:

- Own resources

| | |
|----------------|------------------|
| <u>912 835</u> | <u>2 193 987</u> |
|----------------|------------------|

Commitment in respect of operating leases:

Minimum lease payments

Not later than 1 year

254 075

225 023

Later than 1 year and not later than 5 years

243 898

282 556

Present value of minimum lease payment

497 973

507 579

The operating lease commitments consists of copiers, telephones and faxes with Minolta, Panasonic, Northern Telecom and Nashua.

25 RELATED PARTIES

Municipal Entity

Waterberg Economic Development Agency

There are no related party transactions or balances for the current year.

26 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2).

WATERBERG DISTRICT MUNICIPALITY

APPENDIX A **SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

| EXTERNAL LOANS | Loan Number | Redeemable | Balance at 2007/06/30 | Received during the period | Redeemed written off during the period | Balance at 2008/06/30 | Carrying Value of Property, Plant & Equip | Other Costs in accordance with the MFMA |
|-----------------------------|------------------------|-------------------|----------------------------------|---|---|----------------------------------|--|--|
| | | | | | | | | |
| TOTAL EXTERNAL LOANS | | | - | - | - | - | - | - |

WATERBERG DISTRICT MUNICIPALITY

APPENDIX B ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008

| | Cost/Revaluation | | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---------------------------|-------------------|------------------|----------|--------------------|---------------|-------------------|--------------------------|------------------|----------|---------------|------------------|-------------------|
| | Opening Balance | Additions | Transfer | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Transfer | Disposals | Closing Balance | |
| Land and Buildings | | | | | | | | | | | | |
| Land | 728 000 | - | - | - | - | 728 000 | - | - | - | - | - | 728 000 |
| Buildings | 21 322 428 | 15 450 | - | 1 910 846 | - | 23 248 724 | 2 062 299 | 334 909 | - | - | 2 397 208 | 20 851 516 |
| | 22 050 428 | 15 450 | - | 1 910 846 | - | 23 976 724 | 2 062 299 | 334 909 | - | - | 2 397 208 | 21 579 516 |
| Other Assets | | | | | | | | | | | | |
| Motor Vehicles | 5 812 972 | 4 512 553 | - | - | - | 10 325 525 | 1 333 508 | 754 175 | - | - | 2 087 683 | 8 237 842 |
| Computer equipment | 1 749 615 | 973 655 | - | - | 38 275 | 2 684 994 | 879 686 | 336 175 | - | 37 003 | 1 178 858 | 1 506 136 |
| Office equipment | 947 966 | 29 656 | - | - | 39 468 | 938 154 | 759 666 | 75 397 | - | 29 094 | 805 969 | 132 185 |
| Furniture and Fittings | 1 371 409 | 285 428 | - | - | 13 138 | 1 643 698 | 746 941 | 198 253 | - | 11 596 | 933 597 | 710 101 |
| Machinery | 324 263 | 241 929 | - | - | 8 500 | 557 692 | 201 744 | 79 461 | - | 8 499 | 272 706 | 284 986 |
| | 10 206 225 | 6 043 221 | - | - | 99 382 | 16 150 064 | 3 921 545 | 1 443 461 | - | 86 192 | 5 278 814 | 10 871 250 |
| TOTAL | 32 256 653 | 6 058 671 | - | 1 910 846 | 99 382 | 40 126 787 | 5 983 844 | 1 778 370 | - | 86 192 | 7 676 022 | 32 450 765 |

Assets under construction refers to the District Disaster Centres in Modimolle and Lephalale.

WATERBERG DISTRICT MUNICIPALITY

APPENDIX C SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

| | Cost | | | | | | Accumulated Depreciation | | | | | Carrying Value |
|---|-------------------|------------------|--------------------|------------------|-------------|-------------------|--------------------------|------------------|------------------|-------------|------------------|-------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Transfers | Closing Balance | Opening Balance | Additions | Disposals | Transfers | Closing Balance | |
| Budget & Treasury Office | 824 524 | 9 867 | - | (765) | (58 777) | 774 848 | 417 191 | 112 261 | (762) | (53 251) | 475 438 | 299 410 |
| Municipal Manager | 316 772 | 18 812 | - | - | (218 354) | 117 230 | 264 248 | 16 063 | - | (197 247) | 83 064 | 34 166 |
| Corporate Support & Shared Services | 10 144 683 | 894 071 | - | (46 269) | 443 739 | 11 436 224 | 2 658 714 | 527 111 | (44 986) | 415 003 | 3 555 843 | 7 880 381 |
| Planning and Economic Development | 330 039 | 32 775 | - | - | 25 367 | 388 181 | 147 663 | 65 576 | - | 13 450 | 226 689 | 161 492 |
| Infrastructure Development | 362 547 | 121 391 | - | (5 345) | (29 109) | 449 484 | 192 661 | 63 663 | (4 102) | (18 276) | 233 946 | 215 538 |
| Executive Mayor's Office | 1 417 233 | 832 536 | - | (34 711) | 20 370 | 2 235 428 | 815 602 | 291 973 | (25 472) | 10 900 | 1 093 003 | 1 142 425 |
| Social Development & Community Services | 268 936 | 88 195 | - | (750) | (61 425) | 294 956 | 92 356 | 38 892 | (749) | (26 168) | 104 331 | 190 625 |
| Fire fighting | 16 764 537 | 3 668 912 | 1 910 846 | - | 1 121 | 22 345 415 | 518 599 | 513 603 | - | 1 119 | 1 033 321 | 21 312 094 |
| Environmental Health | - | 392 113 | - | - | 45 478 | 437 591 | - | 50 758 | - | 9 897 | 60 655 | 376 936 |
| PIMSS | 398 422 | - | - | (3 042) | (179 312) | 216 068 | 277 927 | 41 606 | (1 622) | (158 458) | 159 453 | 56 615 |
| Abattoir | 1 428 961 | - | - | (8 500) | 10 901 | 1 431 362 | 598 883 | 56 864 | (8 499) | 3 031 | 650 279 | 781 083 |
| TOTAL | 32 256 653 | 6 058 671 | 1 910 846 | (99 382) | (0) | 40 126 787 | 5 983 844 | 1 778 370 | (86 192) | (0) | 7 676 022 | 32 450 765 |
| | | | | | | | | | | | | |

WATERBERG DISTRICT MUNICIPALITY

APPENDIX D SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

| 2007 Actual Income R | 2007 Actual Expenditure R | 2007 (Surplus)/ Deficit R | | 2008 Actual Income R | 2008 Actual Expenditure R | 2008 (Surplus)/ Deficit R |
|-------------------------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------------|------------------------------------|------------------------------------|
| 61 550 433 | 6 170 746 | 55 379 688 | Financial | 68 811 821 | 6 043 055 | 62 768 766 |
| - | 2 005 480 | (2 005 480) | Municipal Manager | - | 2 779 464 | (2 779 464) |
| 184 357 | 6 450 232 | (6 265 875) | Corporate | 2 278 907 | 11 117 022 | (8 838 115) |
| 634 100 | 4 641 885 | (4 007 785) | Planning and Economic Development | 39 887 | 5 773 644 | (5 734 757) |
| 6 024 111 | 12 147 258 | (6 123 147) | Technical | 1 275 547 | 25 885 934 | (24 610 388) |
| 819 680 | 8 087 959 | (7 268 278) | Executive Mayor's Office | 800 320 | 11 808 565 | (11 008 245) |
| 210 | 3 966 063 | (3 965 853) | Social | - | 2 222 952 | (2 222 952) |
| 1 082 845 | 3 325 942 | (2 243 097) | Fire fighting | - | 3 979 108 | (2 830 925) |
| - | - | - | Environmental Health | 1 148 183 | 5 728 396 | (2 059 085) |
| 1 328 285 | 1 874 639 | (546 354) | PIMSS | 3 669 311 | 1 265 794 | (35 495) |
| 2 010 156 | 2 196 077 | (185 922) | Abattoir | 1 230 299 | 2 136 420 | (261 070) |
| - | - | - | Project Management Unit | 1 875 350 | - | - |
| 73 634 177 | 50 866 281 | 22 767 896 | TOTAL | 81 128 625 | 78 740 354 | 2 388 270 |
| | (110 004) | 110 004 | Less inter-Department Charges | | - | - |
| 73 634 177 | 50 756 277 | 22 877 900 | TOTAL | 81 128 625 | 78 740 354 | 2 388 270 |

WATERBERG DISTRICT MUNICIPALITY

UNAUDITED INFORMATION - APPENDIX E(1) ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008

| REVENUE | 2008 Actual R | 2008 Budget R | 2008 Variance R | 2008 Variance % | Explanation of Significant Variances greater than 10% versus Budget |
|---|---------------------|---------------------|-----------------------|-----------------------|---|
| Regional Services Levies - turnover | 252 557 | - | 252 557 | | RSC levies were abolished on 30 June 2006. No levies were budgeted in the current financial year. The levies received are additional income for the current year due to change in estimates. |
| Regional Services Levies - remuneration | - | - | - | | RSC levies were abolished on 30 June 2006. No levies were budgeted in the current financial year. The levies received are additional income for the current year due to change in estimates. The increase is due to surplus funds invested at competitive rates and an increase in the interest rate. Surplus funds due to underspending on the IDP projects. |
| Interest earned - external investments | 11 016 163 | 3 800 000 | 7 216 163 | 189.90 | RSC debtors are long outstanding and handed over to lawyers. Provision is made for bad debt on these accounts. |
| Interest earned - outstanding debtors | 59 090 | 8 300 | 50 790 | 611.93 | Abattoir income is lower than budgeted due to the loss of one of the biggest clients. |
| Abattoir Income | 1 865 650 | 2 312 200 | (446 550) | -19.31 | LG Seta and Umsobomvu grants were not budgeted as these grants only materialised during the course of the year. Recovery of provision for loss on investment and retentions was not budgeted for. |
| Government grants and subsidies | 67 224 529 | 61 149 294 | 6 075 235 | 9.94 | Donated and contributed property, plant and equipment was not budgeted for. Transfer of health assets only occurred in June 2008. |
| Other income | 203 786 | 36 000 | 167 786 | 466.07 | Disposal of property, plant and equipment was not budgeted for. RSC debts provided for as bad debts was recovered by the lawyers. |
| Public contributions, donated and contributed property, plant and equipment | 506 850 | - | 506 850 | | |
| Gain on disposal of property, plant and equipment | - | - | - | | |
| Reversal on provision for bad debt | 30 858 | - | 30 858 | | |
| Total Revenue | 81 159 483 | 67 305 784 | 13 853 689 | | |
| EXPENDITURE | | | | | |
| Employee related costs | 24 455 697 | 29 868 320 | (5 412 623) | -18.12 | The underspending is due to vacancies that existed in the departments. |
| Remuneration of Councillors | 3 197 239 | 3 370 820 | (173 581) | -5.15 | |
| Bad debt | - | 11 000 | (11 000) | -100.00 | RSC debts provided for as bad debts was recovered by the lawyers. |
| General expenses | 10 523 566 | 14 274 630 | (3 751 064) | -26.28 | Mainly due to underspending on printing and stationery, delegation expenses, training, programming and legal expenses. Waterberg Economic Development Agency was budgeted in the current year but formal establishment was not completed by year end. |
| Repairs & Maintenance | 481 386 | 482 225 | (839) | -0.17 | |
| Fire Fighting | 3 113 932 | 4 786 600 | (1 672 668) | -34.94 | Mainly due to under claiming of local municipalities. |
| Project expenditure | 34 802 247 | 67 547 925 | (32 745 678) | -48.48 | Under spending of projects on the 2007/08 IDP. |
| M/G project expenditure | 405 586 | - | 405 586 | | Expenditure incurred for projects rolled over from previous financial year. Roll overs was approved by Council. |
| Depreciation | 1 778 370 | 1 564 500 | 213 870 | 13.67 | Depreciation of Fire fighting assets were more than budgeted due to significant increase in value because of market valuation of these assets. |
| Loss on disposal of Property, Plant and Equipment | 13 190 | - | 13 190 | | Assets written off after annual fixed asset count was not budgeted for. |
| Total Expenditure | 78 771 213 | 121 906 020 | (43 134 807) | | |
| NET SURPLUS FOR THE YEAR | 2 388 270 | (54 600 226) | 56 988 496 | | |

WATERBERG DISTRICT MUNICIPALITY

UNAUDITED INFORMATION - APPENDIX E(2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008

| | <u>2008 Actual</u> | <u>2008 Under Construction</u> | <u>2008 Revaluation</u> | <u>2008 Total Additions</u> | <u>2008 Budget</u> | <u>2008 Variance</u> | <u>2008 Variance</u> | <u>Explanation of Significant Variances greater than 5% versus Budget</u> |
|---------------------------|------------------------|--|-----------------------------|-------------------------------------|------------------------|--------------------------|--------------------------|--|
| | R | R | | R | R | R | % | |
| Land and Buildings | | | | | | | | |
| Land | - | - | - | - | - | - | - | |
| | | | | | | | | Disaster centre construction funded from roll over budget from prior years. Modimolle Disaster Centre completed. Lephalale Disaster Centre construction re-advertised, therefore delay in implementation. |
| Buildings | 15 450 | 1 910 846 | - | 1 926 296 | 4 815 450 | (2 889 154) | -60.00 | |
| Other Assets | | | | | | | | |
| | | | | | | | | The remainder of motor vehicles still to be procured, but gradually phased in with Environmental Health function. Remainder to be procured in 2008/09. R 2,200,000 is funds for IT Municipal Systems implementation plan to be completed in 2008/09. |
| Motor Vehicles | 4 512 553 | | - | 4 512 553 | 6 539 018 | (2 026 465) | -30.99 | |
| Computer Equipment | 973 655 | | - | 973 655 | 2 200 000 | (1 226 345) | -55.74 | |
| Office Equipment | 29 656 | | - | 29 656 | 30 000 | (344) | -1.15 | |
| | 285 428 | | - | 285 428 | 300 000 | (14 572) | -4.86 | |
| Furniture and Fittings | | | | | | | | |
| Machinery | 241 929 | | - | 241 929 | - | 241 929 | - | All machinery was donated and thus received at no cost. |
| TOTAL | <u>6 058 671</u> | <u>1 910 846</u> | <u>-</u> | <u>7 969 517</u> | <u>13 884 468</u> | <u>(5 914 951)</u> | | |